

Generally, taxpayers are required to maintain business books and records during any period for which the Illinois Department of Revenue is authorized to issue a Notice of Tax Liability (NTL). See 86 Ill. Adm. Code 130.315. (This is a GIL.)

July 7, 2003

Dear Xxxxx:

This letter is in response to your letter dated March 14, 2003. The nature of your letter and information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/Laws/regs/part1200>.

In your letter you stated and made inquiry as follows:

AAA is a reputable and licensed environmental engineering facility in the State of Illinois.

As a growing company, we are seeking your assistance in obtaining any record retention schedules that you may have to assist us in records management and retention. Specifically, we are requesting all regulations or Acts which reference time frames for retaining (storing) our records.

This information would be used to assist us in managing the retention of billing and client records, correspondence, project documentation, employment related documents, payroll, and other business related records.

If you have any questions or would like to discuss this request, you may contact me. Thank you for your time and efforts in fulfilling this request.

Your letter provides little information regarding the nature of your business. Therefore, the following information is provided as guidance regarding the record retention and preservation requirements for persons engaged in the business of selling tangible personal property at retail in Illinois, or for servicemen making sales of service in Illinois. Your letter has been forwarded to the Income Tax Section of our Legal Services office for response to your request regarding income tax related records.

Generally, taxpayers are required to maintain business books and records during any period for which the Illinois Department of Revenue is authorized to issue a Notice of Tax Liability (NTL). 35 ILCS 120/7. Please refer to the enclosed copy of 86 Ill. Adm. Code 130.815. This requirement under

the Retailers' Occupation Tax Act is incorporated by reference under the Service Occupation Tax Act and therefore also applies to servicemen making sales of service. 35 ILCS 115/12. As a general proposition, the Department can issue NTLs for 3 to 3 ½ years. Please see Section 130.815(c), which explains how statutory periods expire in six-month intervals beginning with each January 1 and July 1. Therefore, taxpayers should retain appropriate records for at least 3 ½ years. This is assuming such taxpayers are registered and filing returns with the Department. If a taxpayer is a non-filer for the periods in question, the limitation period for Retailers' Occupation Tax (the sales tax) does not apply for periods back to July 1, 1981. In the case of fraudulent returns being filed, no limitation period exists. We have enclosed for your information copies of the Department's regulations pertaining to record retention, Sections 130.801, 130.805, 130.810, 130.815, 130.820 and 130.825.

We would also like to point out that an automated data process tax accounting system (ADP) may be used to provide the records required for the verification of tax liability. Such ADP system must include a method of producing legible and readable records that will provide the necessary information for verifying such tax liability. The requirements apply to any taxpayer who maintains any such records on an ADP system and are set forth in detail in 86 Ill. Adm. Code 130.805.

If taxpayers retain records required to be retained under Section 130.801, in both machine-sensible and hard copy formats, the taxpayers shall make the records available to the Department in machine-sensible format upon request. ADP accounting systems encompass all types of data processing systems including, but not limited to, mainframe computer systems, stand-alone or networked microcomputer systems, Database Management Systems (DBMS) and systems using Electronic Data Interchange (EDI) technology.

I hope this information has been helpful. The Department of Revenue maintains a website, which can be accessed at www.state.il.us. If you have further questions related to the Illinois sales and use tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in item 1 through 8 of Section 1200.110(b). Such regulation may be obtained from our website mentioned above.

Sincerely,

Dana Deen Kinion
Associate Counsel

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